

SECRETARY'S RECORD, NEBRASKA PUBLIC SERVICE COMMISSION

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of application of) Application No. C-786
Northwestern Bell Telephone)
Company, Omaha, Nebraska, who) GRANTED
seeks approval of its merger)
into the Mountain States)
Telephone and Telegraph Company.) Entered: January 31, 1990

APPEARANCES: For the Applicant
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For the Commission
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OPINION AND FINDINGS

BY THE COMMISSION:

By application filed October 3, 1989, Northwestern Bell Telephone Company seeks approval of its merger into The Mountain States Telephone and Telegraph Company.

Notice of the filing of the application was published pursuant to the provisions of the Commission's Rules and Regulations. No protest to the application was filed.

Pursuant to notice required by law, public hearing was held on the application on January 10, 1990 in the Omaha Civic Center with appearances as shown.

Upon consideration of the application, the evidence adduced at the hearing and being fully advised, the Commission is of the opinion and finds that:

1. Applicant is a corporation organized and existing under the laws of the State of Iowa and is authorized to do business in the State of Nebraska with its principal place of business at Omaha, Nebraska. It is engaged in furnishing telecommunications services for hire in Nebraska intrastate commerce and is subject to the jurisdiction of this Commission.

2. Applicant is a wholly owned subsidiary of US West, Inc. In addition to Nebraska, Applicant provides telecommunication services in the states of Iowa, Minnesota, North Dakota and South Dakota.

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3. The Mountain States Telephone and Telegraph Company ("Mountain Bell") and Pacific Northwest Bell ("PNB") are also wholly owned subsidiaries of US West, Inc. Each provides local exchange, access and intraLATA interexchange communications services in its respective part of the 14-state US West service area. Mountain Bell furnishes telecommunications services in the states of Arizona, Colorado, Idaho, Montana, New Mexico, Utah and Wyoming. PNB furnishes telecommunications services in the states of Oregon, Washington and Idaho.

4. During 1987 and 1988, the internal structure of these three subsidiaries was changed in order to conduct telecommunications operations on a regional basis with the three companies commencing to do business on July 1, 1988 under the trade name of US West Communications. The three companies are now seeking to bring the legal structure into alignment with the operational structure by merging applicant and PNB into Mountain Bell. Coincident with the merger, the name of the remaining corporate entity will be changed to US West Communications, Inc. The planned date for the merger is January 1, 1991.

5. Mr. William Bauhard, Executive Director - Treasury, for US West, Inc., testified about the benefits that will result from the merger. He stated that the merger, among other things, will allow the remaining company to obtain efficiencies in the areas of consolidated financial reporting, improved asset management and reduced intercompany transactions. Mr. Bauhard testified also that a merger of the three companies will stabilize and strengthen the surviving company's overall credit quality and rating. In support of this testimony, Mr. Bauhard introduced as an exhibit a letter from Standard & Poor's which indicated that bond rating agencies look more favorably upon a single merged structure than they do upon a structure consisting of three separate entities. Mr. Bauhard testified further that the surviving company will benefit from the economies achieved through issuing larger principal amounts of debt for a single entity rather than smaller amounts for three separate companies. According to Mr. Bauhard, a larger merged company can issue long term debt more cost effectively and will have greater flexibility in utilizing long term debt alternatives.

6. Mr. Bauhard stated that the three companies had requested a Private Letter Ruling from the Internal Revenue Service to the effect that the merger is not a taxable event under the Federal Income Tax laws. At the hearing, applicant provided the Commission with a copy of the Private Letter Ruling dated December 1, 1989 which concludes, among other things, that the proposed merger will constitute a tax free reorganization under Section 368(a) (1) (A) of the Internal Revenue Code. From the evidence, it does not appear that there will be any adverse tax consequences of the merger that could impact Nebraska ratepayers.

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7. Mr. Bauhard testified that the applicant's Nebraska operations will not be adversely impacted by the merger. He stated that the merger will not result in any increase in rates or charges for service in Nebraska, that the Commission's access to necessary records, books, documents and other information will not be impaired and that the impact upon current allocation procedures will be minimal. He further stated that none of applicant's personnel responsible for Nebraska operations will be affected by the merger and that after the merger the surviving company will continue to have in this state personnel that will represent the company before this Commission.

8. Mr. Bauhard testified in detail that he does not foresee the granting of this application would involve Nebraska competing with the other 13 states any differently for capital requirement dollars since they do not finance by "state" today. Assurances were given regarding the maintenance of efficient and quality service in Nebraska subsequent to the merger. A commitment was given that US West would infuse equity as will be needed to finance capital programs, and also to keep the debt ratio at the 40% level. Mr. Bauhard answered technical questions about the stock offering, depreciation, debts and expenses in regard to this application.

9. Mr. Bauhard testified that he had no reason to feel that the merger would be any different for Nebraska than it was for the other states. No personnel changes or repricing of products is anticipated because of the merger or for any other reason to his knowledge.

10. Based upon the record presented and the representations made, we find that the proposed merger is of advantage to the applicant and is not contrary or detrimental to the public interest. We conclude that all of applicant's current certificates of public convenience and necessity should be transferred to the surviving corporation, US West Communications, Inc., effective January 1, 1991 and that thereafter, all of applicant's rate lists on file with this Commission should be considered the rate lists of US West Communications, Inc.

ORDER

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that Application No. C-786 be and it is hereby granted and that the merger of Northwestern Bell Telephone Company into The Mountain States Telephone and Telegraph Company on January 1, 1991 with the name of the surviving corporation being changed to US West Communications, Inc. is hereby approved.

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IT IS FURTHER ORDERED that all of applicant's current certificates of public convenience and necessity be transferred to the surviving corporation, US West Communications, Inc., effective January 1, 1991 and that all of applicant's rate lists on file with the Commission be considered the rate lists of US West Communications, Inc. from and after that date.

IT IS FURTHER ORDERED that applicant continue to employ in this state sufficient personnel to continue to provide efficient and quality telephone service to its customers and to represent the applicant before this Commission.

MADE AND ENTERED at Lincoln, Nebraska, this 31st day of January, 1990.

NEBRASKA PUBLIC SERVICE COMMISSION

Eric Rasmussen
Chairman

COMMISSIONERS CONCURRING:

//s//Frank E. Landis, Jr.
//s//James F. Munnelly
//s//Daniel G. Urwiller

ATTEST:

[Signature]
Executive Director